

# **PERSONAL INCOME AND EARNINGS IN MIAMI-DADE COUNTY 1986 - 2006**



Miami-Dade County  
Department of Planning and Zoning  
Planning Research  
111 NW 1 Street, Suite 1220  
Miami, Florida 33128-1972  
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## **Executive Summary**

This report presents an analysis of personal income, and earnings by broad industrial sectors for Miami-Dade. The nation and other similar sized areas are used for comparison for the 1986-2006 period. The analysis will shed light on Miami's position relative to these areas. Personal income is income received by persons from all sources prior to income tax deductions less contributions to such things as social security. It is frequently expressed on a per capita basis. This provides one of the best indicators of general economic well being.

In Miami-Dade County per capita personal income in 2006 was \$33,712. This was 8.2 percent below that for the nation and placed Miami in the bottom fifth of the fifteen selected areas. Only Nashville and San Antonio fared worse. Per capita income in 1986 for Miami-Dade was approximately equal to that for the nation. However, over the next twenty years, the gap markedly increased.

It is important to understand the sources of personal income, and components of earnings. Earned income comprises the bulk of personal income and has increased over the years from 79.9 percent in 1986 to 82.0 percent by 2006 in Miami-Dade. This is considerably different from the comparable figure of 76.9 percent for the nation in 2006. This 5.1 percent difference is due to the correspondingly higher wage and salary component of earnings.

Earnings by broad industrial sector show some significant differences in total earnings between Miami-Dade and the U.S. In 2006, the goods producing sector, that includes construction and manufacturing, represented about 14 percent of private sector activity in Miami-Dade. This sharply contrasts to the 25.8 percent figure for the nation. The primary reason for this is limited manufacturing capacity in Miami-Dade.

Another perspective on the income comparison can be gained by looking at growth rates of personal income over the 1986-2006 period. Miami's annual growth rate was 5.6 percent. This placed Miami's growth rate in the middle of the fifteen selected areas and the same as the nation. However, if these gains are translated into per capita income terms a different picture emerges. During this time period Miami has also seen substantial gains in population. This has resulted in a very modest gain of 1.9 percent in per capita income. As a result, Miami's position relative to the fifteen selected areas and the nation has declined.

## **Introduction**

This report presents a comparative analysis of per capita personal income, earnings by place of work, and earnings by broad industrial sectors for the Miami-Dade metropolitan division (MD)<sup>1</sup>. The nation and other similar sized - in terms of population - areas are used for comparison. The purpose is to reveal Miami's position relative to these other areas and to suggest at least partial explanations for the differences indicated.

Personal income, often expressed on a per capita basis, is widely used as one of the best overall indicators of economic well being. It is that income received by persons from all sources prior to income tax deductions but after contributions to such things as social security and retirement programs of governments and business. Most of the income is in monetary form, principally wages and salaries, but there are important non-monetary inclusions such as estimated net rental value to owner-occupants of their homes, the value of services furnished without payment by financial intermediaries, and the value of food consumed on farms.

## **Comparative Per Capita Income**

In 2006, Miami-Dade had a per capita personal income of \$33,712. It can be seen from Table 1 that its per capita income was below the national level for each of the three years recorded. When ranked with fifteen similar sized areas in 1986, Miami-Dade captured twelfth place but had dropped to fourteenth by 2006. Miami-Dade's position compared to the U.S. also eroded and its performance was worse than the average for all selected areas during the interval in question. In addition, this area's rank among all 29 metropolitan divisions (MD's) was near the bottom (27<sup>th</sup>) in both 1986 and 2006.

A useful illustration of the poor showing of Miami-Dade's per capita income over the period covered can be gained by examining Chart 1. This chart presents per capita income levels for Miami and the U.S. between 1986 and 2006 both in real and nominal terms. As can be seen, Miami-Dade's income level fell behind the nation in every year during that interval. One reason for the gap is Miami-Dade's relatively faster population growth relative to income growth than for the nation.

While the experience with per capita personal income indicates a generally unfavorable performance for Miami over the past 20 years or so, certain caveats must be noted. Like all averages, per capita income masks extreme values and does not give evidence concerning income distribution. Moreover, important issues such as unemployment, economic stability, and type of working environment and general quality of life are not addressed by use of per capita income as a welfare measure. Other important considerations are comparative family size and cost of living differentials among areas.

## **Personal Income and Earnings Analysis**

In 2006, Miami-Dade Metropolitan Division had a total personal income of \$80,112,340,000 and earnings by place of work of \$65,701,778,000. The data displayed in Table 2 permits a closer examination of the income makeup of Miami-Dade and the nation, and enables one to explore in some detail the manner in which the per capita increases were achieved.

The figures in the top half of the table show the proportionate breakdown of personal income by major sources for the years 1986, 1996, and 2006. Earned income comprises the bulk of personal income and it has increased over the years from 79.9 percent in 1986 to 82.0 percent by 2006. The three components of total earnings: Wage and salary disbursements, Supplements to wage and salaries, and proprietor's income show different trends. Over the twenty-year period the wages and salary disbursements share declined considerably, while supplements to wage and salaries increased its share. On the other hand, proprietor's income share increased significantly from 5.1 percent to 9.7 percent over the period.

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<sup>1</sup> Metropolitan Division (MD) as defined by the U.S. Office of Management and Budget (OMB). The Miami-Dade MD consists of Miami-Dade County, Florida.

**Table 1**  
**Per Capita Personal Income by Place of Residence**  
**United States and Selected Areas\***

Area Name	(Current dollars)				Percent of the U.S. average			
	1986	1996	2006	Percent Change (1986-06)	1986	1996	2006	Change (1986-06)
United States	15,442	24,175	36,714	137.8	100.0	100.0	100.0	
Newark, NJ-PA (MD)	19,695	33,077	52,296	165.5	127.5	136.8	142.4	14.9
Oakland, CA (MD)	19,616	30,066	48,577	147.6	127.0	124.4	132.3	5.3
Seattle, WA (MD)	18,622	30,614	48,522	160.6	120.6	126.6	132.2	11.6
Denver, CO (MSA)	17,670	28,616	44,691	152.9	114.4	118.4	121.7	7.3
Baltimore, MD (MSA)	17,340	26,400	43,026	148.1	112.3	109.2	117.2	4.9
San Diego, CA (MSA)	17,377	24,846	42,801	146.3	112.5	102.8	116.6	4.0
Pittsburgh, PA (MSA)	15,032	24,762	38,550	156.5	97.3	102.4	105.0	7.7
St. Louis, MO-IL (MSA)	16,419	25,609	37,652	129.3	106.3	105.9	102.6	-3.8
Milwaukee, WI (EA)	15,729	25,248	37,297	137.1	101.9	104.4	101.6	-0.3
Cincinnati, OH-KY-IN (EA)	14,897	24,146	35,673	139.5	96.5	99.9	97.2	0.7
Tampa, FL (MSA)	15,052	23,425	35,541	136.1	97.5	96.9	96.8	-0.7
Kansas City, MO-KS (EA)	15,222	23,619	34,935	129.5	98.6	97.7	95.2	-3.4
Charlotte, NC-SC (EA)	13,895	23,310	33,795	143.2	90.0	96.4	92.0	2.1
<b>Miami-Dade, FL (MD)</b>	15,010	21,360	33,712	124.6	97.2	88.4	91.8	-5.4
Nashville, TN (EA)	13,142	21,955	32,897	150.3	85.1	90.8	89.6	4.5
San Antonio, TX (EA)	13,022	20,276	31,773	144.0	84.3	83.9	86.5	2.2

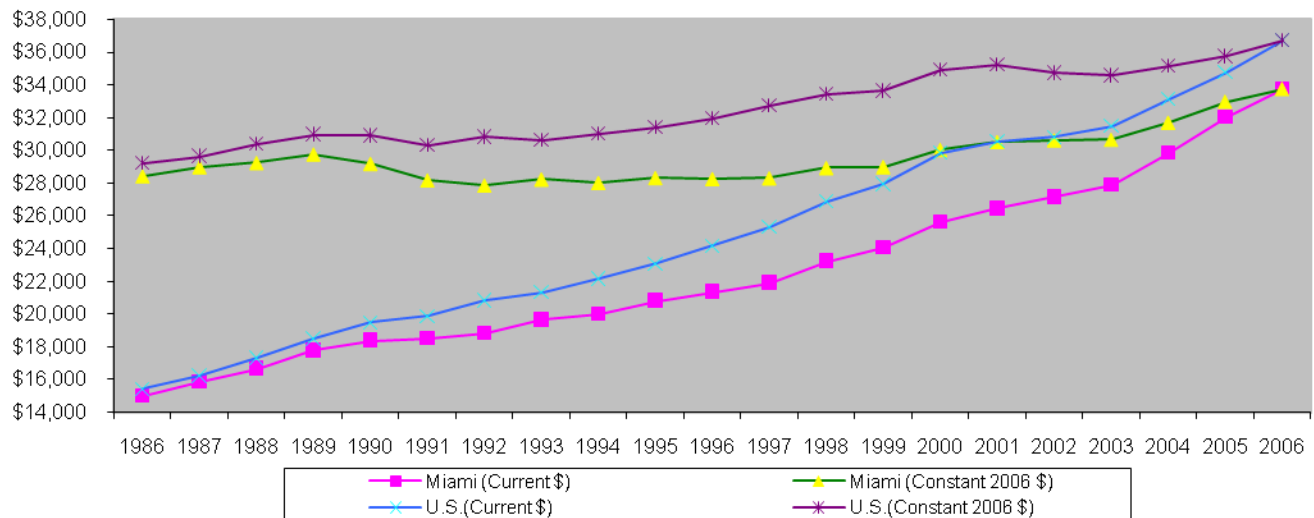
\* (MSA) - Metropolitan Statistical area; (EA) - Economic Area; (MD) - Metropolitan Division

Source: U.S. Department of Commerce, Economics and Statistics Administration, Bureau of Economic Analysis. Miami-Dade County, Department of Planning and Zoning, Research Section.

The share arising from property income (dividends, interest and rent) declined substantially between 1986 and 2006. The percentage for personal current transfer receipts rose more than five points by 2006 and the contributions for social insurance increased its share to 9.1 percent.

When Miami-Dade is compared to the nation some differences emerge. Although the single largest source of income is earnings by place of work, for all areas considered, the nation experienced a less substantial increase in that category than did Miami-Dade during the three years in question (1986, 1996, and 2006). For the components making up those earnings, the Miami-Dade area does not differ too much from the nation in the distribution of shares nor the patterns of change. The most notable difference occurs for personal current transfer receipts, where the share in the Miami-Dade area is higher than in the nation. Contributions for social insurance also display a higher relative share for Miami-Dade versus the U.S. This does not come as a surprise, given the former area's reputation as a retirement area.

**Chart 1**  
Real and Nominal Per Capita Income  
United States and Miami-Dade MD, (1986-2006)



Source: U.S. Department of Commerce, Economics and Statistics Administration, Bureau of Economic Analysis. Miami-Dade County, Department of Planning and Zoning, Research Section.

In general, over the time period considered, the relative importance of the various income sources for Miami-Dade and the nation became more similar. This is in line with a general tendency for metropolitan divisions to more closely approximate national averages as they become larger. In comparing the Miami-Dade income profile with all fifteen selected areas as a group no shifts over time can be shown. For almost the same point in time, (1986, 1996, and 2006) Miami-Dade differed in about the same way it did with respect to the nation.

Proceeding to a finer level of disaggregation, the lower half of Table 2 presents information on total earnings by broad industrial sector. The ratio of farm earnings to total earnings declined between 1986 and 2006 for both Miami-Dade and the nation over the same period; however, the relative importance for farm earnings was slightly greater and the absolute change was positive for the nation.

**Table 2**  
**Percent Distribution of Income by Major Source and Earnings by Industry**  
**Miami-Dade and the Nation**

	<u>Miami-Dade</u>			<u>Nation</u>		
	1986	1996	2006	1986	1996	2006
Personal Income	100.0	100.0	100.0	100.0	100.0	100.0
<i>Derivation of personal income</i>						
Earnings by place of work	79.9	81.6	82.0	76.4	75.6	76.9
Less: Contributions for social insurance	8.5	9.1	9.1	8.2	8.5	8.4
Plus: Adjustment for residence	-7.8	-10.3	-8.9	0.0	0.0	0.0
Plus: Dividends, interest, and rent	23.8	19.5	17.6	19.6	18.7	16.9
Plus: Personal current transfer receipts	12.6	18.4	18.4	12.2	14.2	14.7
<i>Earnings by place of work</i>						
Components of earnings						
Wage and salary disbursements	62.7	61.6	59.6	56.8	55.5	59.6
Supplements to wages and salaries	12.1	12.9	12.8	12.1	11.7	12.9
Proprietors' income	5.1	7.0	9.7	7.5	8.4	9.2
Earnings by industry*						
Farm earnings	0.7	0.3	0.2	0.9	0.8	0.4
Nonfarm earnings	79.2	81.3	81.8	75.5	74.7	76.5
Private earnings	66.7	67.6	68.9	61.8	61.8	63.9
Forestry, fishing, related activities, and	-	-	0.1	-	-	0.2
Mining	-	-	0.0	-	-	1.0
Utilities	-	-	0.4	-	-	0.8
Construction	-	-	5.4	-	-	5.0
Manufacturing	-	-	3.7	-	-	9.5
Wholesale trade	-	-	6.7	-	-	4.0
Retail trade	-	-	5.7	-	-	4.9
Transportation and warehousing	-	-	4.9	-	-	2.6
Information	-	-	3.6	-	-	2.7
Finance and insurance	-	-	6.1	-	-	6.0
Real estate and rental and leasing	-	-	2.8	-	-	1.8
Professional and technical services	-	-	8.1	-	-	7.3
Management of companies and enterprise	-	-	1.4	-	-	1.7
Administrative and waste services	-	-	4.2	-	-	2.9
Educational services	-	-	1.5	-	-	1.0
Health care and social assistance	-	-	7.4	-	-	7.2
Arts, entertainment, and recreation	-	-	1.2	-	-	0.8
Accommodation and food services	-	-	3.1	-	-	2.1
Other services, except public administration	-	-	2.6	-	-	2.2
Government and government entities	12.5	13.7	12.9	13.7	12.9	12.7

\*Data for earnings by industry within the private earnings category are not available for 1986 and 1996 on the NAICS industrial detail.

Source: U.S. Department of Commerce, Economics and Statistics Administration, Bureau of Economic Analysis. Miami-Dade County, Department of Planning and Zoning, Research Section.

Looking at non-farm earnings, the Miami-Dade area displayed a positive pattern ending with a slight increase in share, which is somewhat less than the U.S. As with total earnings, the share steadily increased in the nation.

Within the non-farm earnings sector, the dominant component for all areas was private non-farm earnings. While government earnings share in Miami-Dade increased over time, at the national level those earnings have become less important. The Miami-Dade Metropolitan Division is above both the figures for the nation and the fifteen selected areas in 2006. This may be a reflection of more employees in this category, higher pay rates, or a combination of both. Private non-farm earnings comprise a somewhat higher proportion of total personal income in Miami-Dade as in the nation as a whole. In both areas the share has increased.

When viewing the subcomponents of private non-farm earnings, manufacturing stands out due to its much lower share in the Miami area; it is less than half the national figure. In 2006, the Miami-Dade's share of earnings in manufacturing was 3.7 percent of total personal income. Moreover, research done in the past revealed that Miami-Dade's average hourly wage rate was below the national average, which contributes to lower earnings. Lower wage rates and an unfavorable industry mix (in terms of wages) brought about this result. It is unlikely that the pattern has changed much in recent years.

Five other groups comprising private non-farm earnings: namely 1) professional and technical services; 2) health care and social assistance; 3) wholesale trade; 4) finance and insurance; and 5) retail trade attract attention due to the relatively higher percentages in the Miami area. Again, the reasons can be found in the orientation of the Miami economy to the tourist, part-time residents, international visitor and other population serving activities. It is not an exaggeration to say that these five groups make up the core of the Miami area economy. Construction, transportation and warehousing, and administrative and waste services also contributed a larger share in Miami than that for the nation in 2006. The construction component contribution is the result of the population growth and traditional importance of building to the local economy.

Table 3 presents data for personal income and earnings by industry in an aggregate form for the selected areas listed in Table 1. Examining the proportions comprising that income, reveal no fundamental differences between Miami and the fifteen areas. Where departures occur, they are sometimes more extreme than is the case when national averages are used as standards. For example, the manufacturing component for those selected areas was about six percentage points above Miami-Dade in 2006. While the government earnings in Miami-Dade turned in a slightly larger share over time, its counterpart in the fifteen similar sized areas showed a decline.

A different perspective of the income comparison of Miami-Dade County with the selected fifteen areas can be obtained by looking at growth rates of personal income. Chart 2 presents average annual rates of growth in personal income for Miami-Dade and those areas between 1986 and 2006. As shown in the chart, eight of them were above Miami's annual growth rate (5.6 percent) for that period. By way of comparison, Denver fared the best with a growth rate of 6.8 percent, while Pittsburgh had the slowest rate (4.5 percent). It is interesting to note that Miami registered the same figure as the nation.



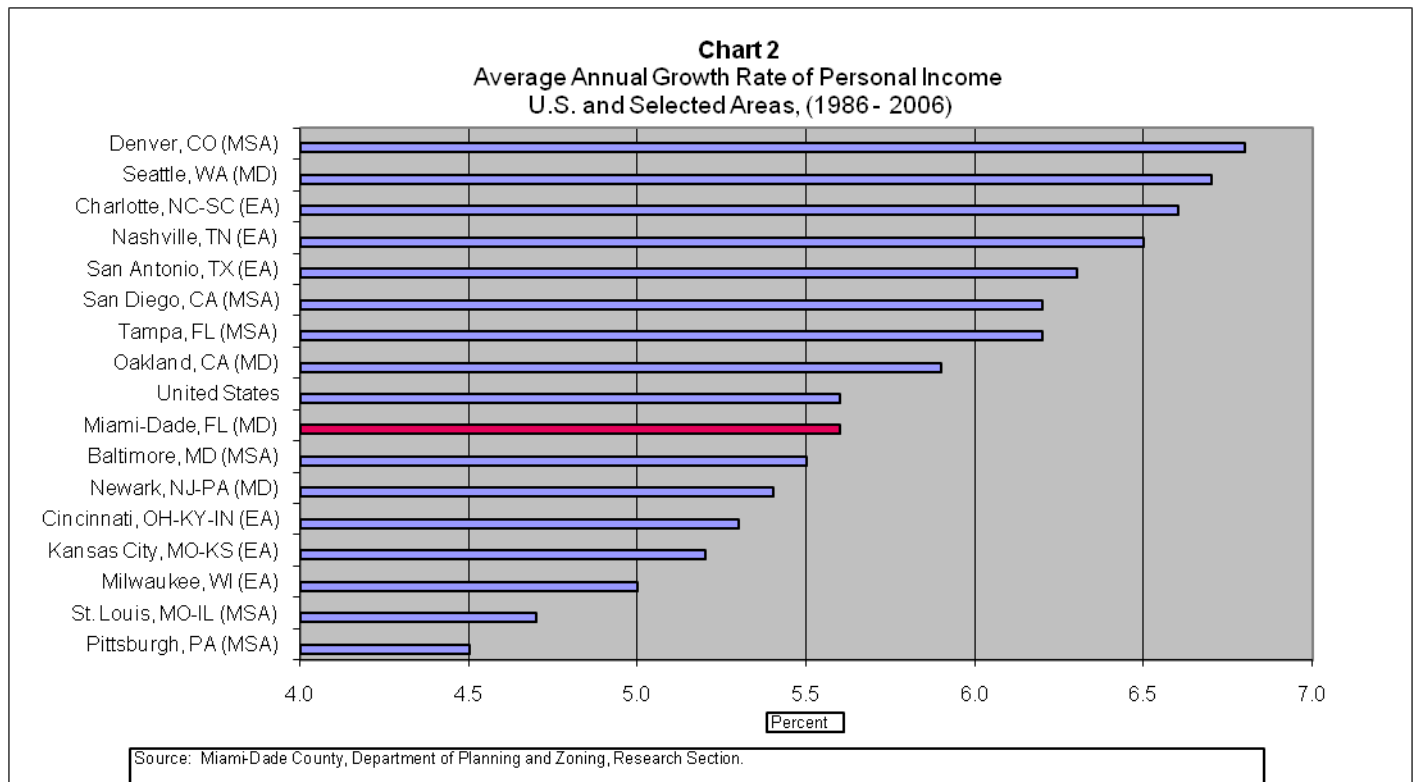
**Table 3**  
**Personal Income by Major Source and Earnings by Industry**  
**Fifteen Selected Areas**  
**(Thousands of current dollars)**

	1986	Percent	2006	Percent	Percent change (1986-2006)
Personal Income	\$490,668,607	100.0	\$1,501,810,259	100.0	206.1
<i>Derivation of personal income</i>					
Earnings by place of work	372,055,294	75.8	1,170,026,820	77.9	214.5
Less: Contributions for social insurance	40,607,359	8.3	130,045,993	8.7	220.3
Plus: Adjustment for residence	5,137,830	1.0	15,091,454	1.0	193.7
Plus: Dividends, interest, and rent	97,141,860	19.8	249,454,572	16.6	156.8
Plus: Personal current transfer receipts	56,940,982	11.6	197,283,406	13.1	246.5
<i>Earnings by place of work</i>					
Components of earnings					
Wage and salary disbursements	279,317,490	56.9	832,864,682	55.5	198.2
Supplements to wages and salaries	59,918,097	12.2	196,614,320	13.1	228.1
Proprietors' income	32,819,707	6.7	140,547,818	9.4	328.2
Earnings by industry*					
Farm earnings	1,670,498	0.3	2,112,409	0.1	26.5
Nonfarm earnings	370,384,796	75.5	1,167,914,411	77.8	215.3
Private earnings	305,786,786	62.3	990,519,210	66.0	223.9
Forestry, fishing, related activities, and	N/A	--	792,612	0.1	--
Mining	N/A	--	1,858,714	0.1	--
Utilities	N/A	--	3,335,483	0.2	--
Construction	N/A	--	77,935,117	5.2	--
Manufacturing	N/A	--	146,981,507	9.8	--
Wholesale trade	N/A	--	60,525,825	4.0	--
Retail trade	N/A	--	71,514,329	4.8	--
Transportation and warehousing	N/A	--	22,650,555	1.5	--
Information	N/A	--	46,877,863	3.1	--
Finance and insurance	N/A	--	86,356,053	5.8	--
Real estate and rental and leasing	N/A	--	28,018,328	1.9	--
Professional and technical services	N/A	--	116,304,546	7.7	--
Management of companies and enterprise	N/A	--	33,843,794	2.3	--
Administrative and waste services	N/A	--	47,149,569	3.1	--
Educational services	N/A	--	15,094,096	1.0	--
Health care and social assistance	N/A	--	106,036,381	7.1	--
Arts, entertainment, and recreation	N/A	--	12,900,797	0.9	--
Accommodation and food services	N/A	--	29,860,013	2.0	--
Other services, except public administration	N/A	--	30,773,267	2.0	--
Government and government entities	64,598,010	13.2	177,395,201	11.8	174.6

\*Data for earnings by industry within the private earnings category are not available for 1986 and 1996 on the NAICS industrial detail.

Source: U.S. Department of Commerce, Economics and Statistics Administration, Bureau of Economic Analysis. Miami-Dade County, Department of Planning and Zoning, Research Section.





The data developed so far provide a general outline of the income profile of the Miami-Dade Metropolitan Division in terms of major sources and broad industrial sector earnings. The analysis employed has focused on the shares of income arising from specific sources and earnings from private and government and government enterprises sectors.

Table 4 presents actual dollar amounts and percentages changes for those years, so that one may appreciate the magnitude of the actual amounts involved. Among the major sources of personal income the fastest gainers have been proprietor's income and personal current transfer receipts, but healthy growth rates have been experienced by all categories. The earnings non-farm sector earnings and private and government and government enterprises components have displayed less variation. They generally grow at rates fairly close to that of total earnings. Farm earnings have been the only exception with negative growth. The absolute amounts are striking with total personal income expanding by about \$53.1 billion, earnings by place of work by more than \$44.1 billion, and wages and salaries disbursements by \$30.7 billion.

It should be emphasized that these gains are expressed in current dollars and are partially a result of inflation. If converted to constant (2006) dollars the increases are considerably smaller. For example, instead of a 196.3 percent increase in personal income, (1986 to 2006), the change is only 56.8 percent. The absolute change would fall from \$53.1 billion to \$29.0 billion.

**Table 4**  
**Personal Income by Major Source and Earnings by Industry**  
**Miami-Dade, Metropolitan Division**  
**(Thousands of current dollars)**

	1986	1996	2006	(1986-1996)	<u>Percent Change</u> (1996-2006)	(1986-2006)
Personal Income	\$27,039,587	\$45,517,645	\$80,112,340	68.3	76.0	196.3
<i>Derivation of personal income</i>						
Earnings by place of work	21,606,760	37,132,918	65,701,778	71.9	76.9	204.1
Less: Contributions for social insurance	2,311,385	4,132,807	7,289,511	78.8	76.4	215.4
Plus: Adjustment for residence	-2,102,186	-4,704,237	-7,145,179	123.8	51.9	239.9
Plus: Dividends, interest, and rent	6,427,674	8,853,212	14,091,057	37.7	59.2	119.2
Plus: Personal current transfer receipts	3,418,724	8,368,559	14,754,195	144.8	76.3	331.6
<i>Earnings by place of work</i>						
Components of earnings						
Wage and salary disbursements	16,965,036	28,045,451	47,711,858	65.3	70.1	181.2
Supplements to wages and salaries	3,269,293	5,879,948	10,247,877	79.9	74.3	213.5
Proprietors' income	1,372,431	3,207,519	7,742,043	133.7	141.4	464.1
Earnings by industry*						
Farm earnings	189,864	142,214	164,495	-25.1	15.7	-13.4
Nonfarm earnings	21,416,896	36,990,704	65,537,283	72.7	77.2	206.0
Private earnings	18,030,734	30,763,416	55,201,050	70.6	79.4	206.1
Forestry, fishing, related activities, and	N/A	N/A	92,938	-	-	--
Mining	N/A	N/A	39,159	-	-	--
Utilities	N/A	N/A	335,427	-	-	--
Construction	N/A	N/A	4,364,492	-	-	--
Manufacturing	N/A	N/A	2,935,069	-	-	--
Wholesale trade	N/A	N/A	5,351,883	-	-	--
Retail trade	N/A	N/A	4,570,125	-	-	--
Transportation and warehousing	N/A	N/A	3,925,842	-	-	--
Information	N/A	N/A	2,905,481	-	-	--
Finance and insurance	N/A	N/A	4,877,976	-	-	--
Real estate and rental and leasing	N/A	N/A	2,266,929	-	-	--
Professional and technical services	N/A	N/A	6,526,689	-	-	--
Management of companies and enterprise	N/A	N/A	1,114,708	-	-	--
Administrative and waste services	N/A	N/A	3,331,802	-	-	--
Educational services	N/A	N/A	1,200,583	-	-	--
Health care and social assistance	N/A	N/A	5,907,366	-	-	--
Arts, entertainment, and recreation	N/A	N/A	931,097	-	-	--
Accommodation and food services	N/A	N/A	2,463,413	-	-	--
Other services, except public administration	N/A	N/A	2,060,071	-	-	--
Government and government entities	3,386,162	6,227,288	10,336,233	83.9	66.0	205.2

\*Data for earnings by industry within the private earnings category are not available for 1986 and 1996 on the NAICS industrial detail.

Source: U.S. Department of Commerce, Economics and Statistics Administration, Bureau of Economic Analysis. Miami-Dade County, Department of Planning and Zoning, Research Section.

## **Summary and Conclusion**

The analysis presented here has attempted to reflect both the long-term changes and the current level of economic activity in the Miami-Dade Metropolitan Division as depicted by certain income measures.

The general conclusion, which seems apparent from this brief analysis, is that on personal income and earnings basis the Miami-Dade area has advanced fairly well. However, on a per capita basis its real gains have been very modest (only 1.9 percent) during the period covered. A partial explanation for this performance could be the rapid population growth. Miami's position relative to fifteen similar sized areas and to the nation has declined over the time span considered. The income profile in 1986 was quite different from that of the nation. By 2006, Miami-Dade had altered its internal structure so that it more closely approximated the nation and the composition of all the similar sized areas. However, unique differences are still apparent. There is no theoretical or practical reason why all selected areas should resemble one another. Each has a distinctive set of resources, which is utilized to provide for economic well-being, so differences between the national average and other large urban areas are likely to persist.

Among the industrial sectors, professional and technical services, health care and social assistance, wholesale trade, finance and insurance, and retail trade will always stand out just as manufacturing does, but for opposite reasons. The former tends to dominate the economy, while the latter does not and very likely never will approach the national average.

With respect to policy implications, the analysis is not definitive enough to provide firm guidance. Moreover, there are rather strict limitations on the ability of a single urban area to change its economic structure, particularly over short time periods. Miami-Dade County's reliance on property income, personal current transfer receipts, and earnings from the services and trade sub-sectors imparts a substantial degree of stability to the local economy. However, this same pattern may give rise to relatively greater mal-distribution of income.